



The Budget Overview

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Revenues

Pages 5-21 to 5-59

Total FY 2007 General Fund revenues are expected to increase 4.9% compared to approved FY 2006 revenues. The average increase in residential real property taxes is projected at 6.4%, with a 10 cent real estate tax rate reduction.

Millions of Dollars

	FY 2006 Approved	FY 2006 Projected	FY 2007 Proposed	FY 2007 Approved	%Change 06 Approved/ 07 Approved*
Real Property Taxes	\$251.1	\$252.4	\$276.3	\$265.6	5.8%
Other taxes	138.8	144.0	142.1	144.7	4.2%
Non-tax revenue	23.1	26.4	28.6	29.0	25.6%
Federal & State Revenue	47.7	48.8	51.6	50.1	5.0%
Prior Year Surplus & Transfers	9.7	9.7	4.9	4.2	-56.7%
Total	\$470.5	\$481.2	\$503.5	\$493.7	4.9%

* The total change from FY 2006 Projected Revenues is 2.6%.

Real property taxes are taxes on residential and commercial real estate.

Other taxes include the personal property tax, the 1% sales tax, utility taxes, business license (BPOL) taxes, transient lodging taxes, and others.

Non-tax revenue includes fines and forfeitures such as parking fees, and charges for services, such as solid waste fees.

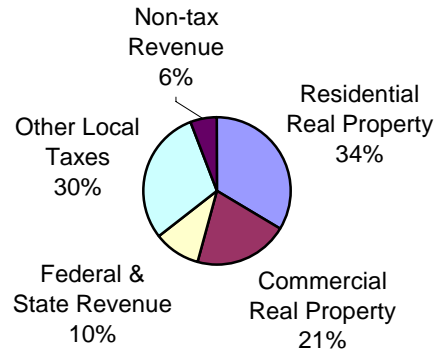
Federal & state revenue is aid from the federal government and the Commonwealth of Virginia which goes into the City's General Fund and is not generally restricted to special activities.



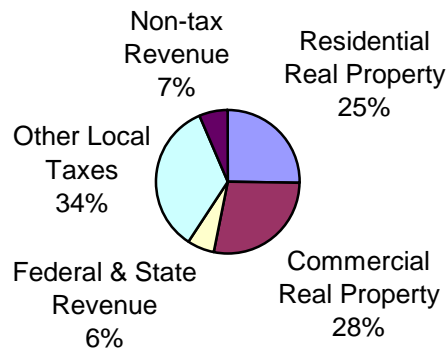
In Fiscal Year 2007, 55% of total General Fund revenues are expected to come from real estate taxes with 34% of total revenues coming from residential real estate taxes.

In Fiscal Year 1991, 53% of General Fund revenue came from real estate taxes, but the amount of total revenues from residential real estate taxes was only 25%. Owners of commercial property paid proportionally more of all real estate taxes at that time.

Approved FY 2007 General Fund Revenue \$489.4 million



FY 1991 General Fund Revenue \$221.7 million

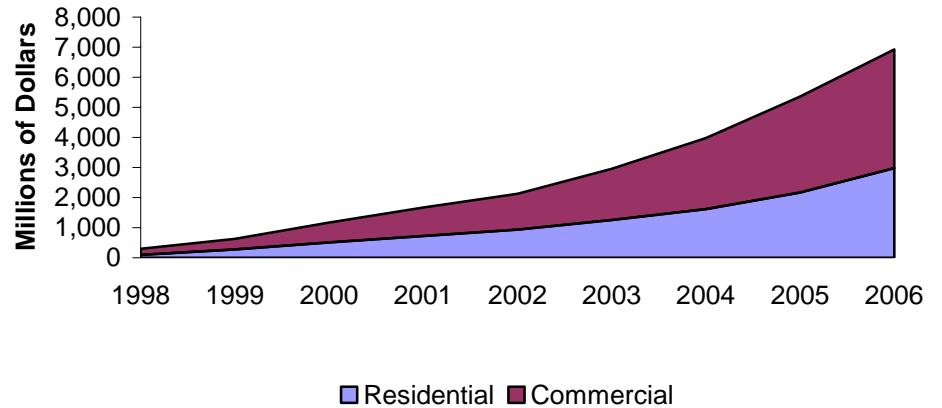


A comparison of the sources of General Fund Revenue in FY 1991 and FY 2007 reveals two major changes. Rapidly increasing residential real estate assessments, the increasing population, and the increased number of homes have increased the share that residential real property taxes contribute toward total City revenues. Federal and state revenue has also increased as a percentage of revenues in part because the Commonwealth of Virginia now picks up a large portion of the Car Tax. For the last few years, the State has paid 70% of eligible car taxes. The percentage paid by the Commonwealth will be 69% in FY 2007.



A significant portion of the total increase in the total overall value of real property is due to new construction in Alexandria.

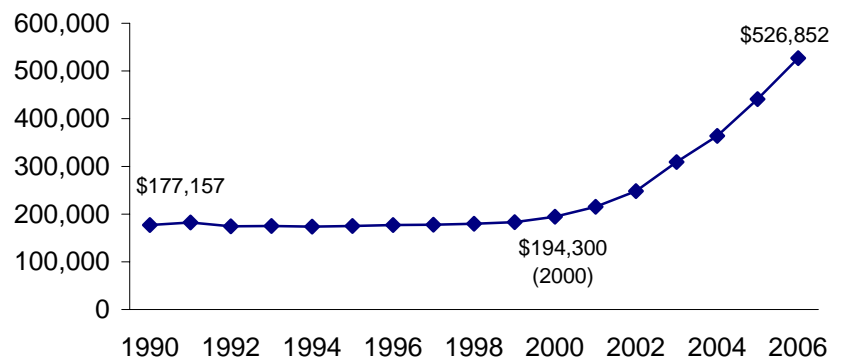
Cumulative Increase in Real Property Tax Base Attributable to New Construction Since 1998



As of 2006, the value of the tax base contributed by new construction each year since 1998 totals about \$6.9 billion or 21.5% out of a total real property tax base of \$32.1 billion.

After remaining mostly flat during the 1990's, since 2000, the average assessed value of a home in Alexandria has increased by over two and one half times.

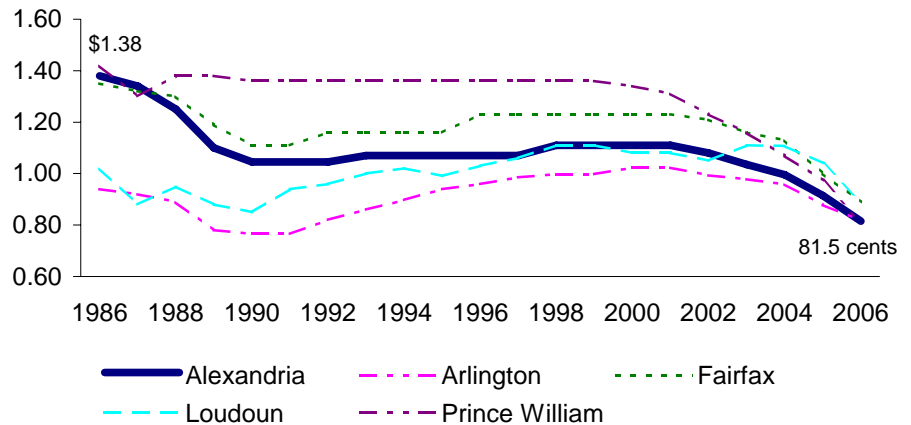
Residential Real Estate Assessment Increases Since 1990





In 1986, Alexandria had the second highest real estate tax rate in Northern Virginia. By 2006, it had the second lowest rate. Alexandria has the lowest real estate tax rate in the Washington, DC core area of urban jurisdictions.

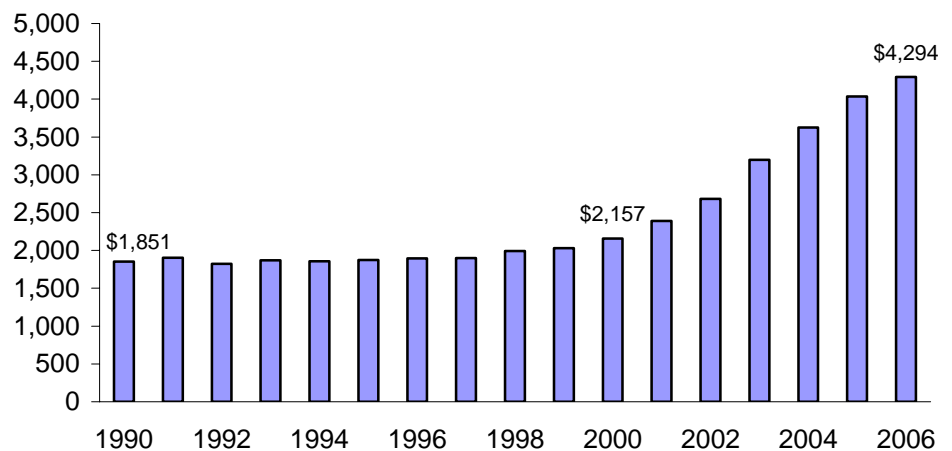
**Real Estate Tax Rate
Cents Per \$100 of Assessed Value**



Since 2000, the City Council has responded to increasing property values by lowering the tax rate from \$1.11 to 81.5 cents per \$100 of assessed value in 2006. The Council approved budget lowers the rate by 10 cents per \$100 of assessed value in 2006.

Reflecting the approved decrease of 10 cents in the 2006 real property tax rate, the average residential tax bill will increase by only \$259 in 2006.

Average Residential Tax Bill



In 2006, under the approved budget, the average real property residential tax bill is expected to increase 6.4% or \$259 to \$4,294.



The City of Alexandria has a variety of programs to provide tax relief to seniors and citizens with low and moderate income and to provide affordable housing assistance.

Affordable Home Ownership Preservation Grant Program (AHOP).

To help low and moderate income homeowners keep up with rising real estate taxes, in the FY 2005 budget the City established the Affordable Home Ownership Preservation Grant Program (AHOP). Residents meeting the program's income and wealth qualifications may apply for grants of between \$200 and \$1,200 to defray the cost of rising real estate assessments. In 2005, an average of over \$500 was provided to over 1,000 AHOP grantees. In the FY 2007 budget, an additional \$650,000 is provided to increase the benefits of this program.

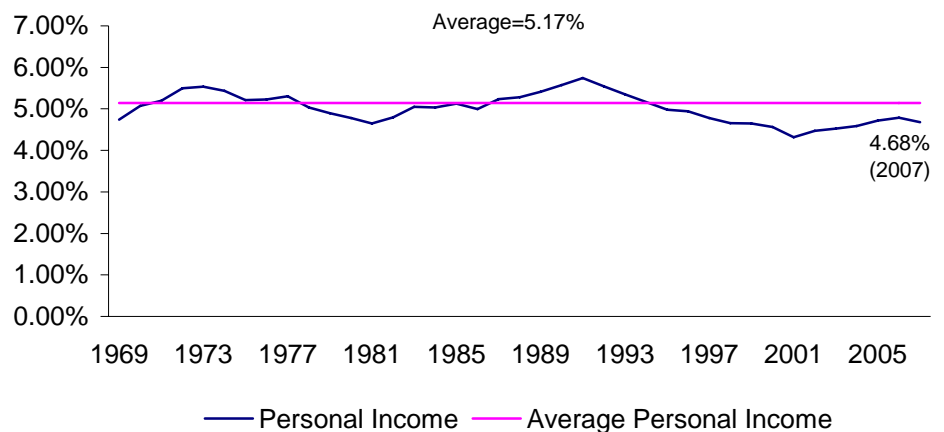
Real Estate Tax Relief Program for the Elderly or Disabled. To counter the costs of rising real estate taxes for people with fixed incomes, the City has established a program to fully or partly exempt elderly or disabled homeowners in Alexandria, based on an income limit and age. In 2005, under this program, an average of about \$2,800 in tax relief was provided to nearly 1,000 people, saving low and moderate income taxpayers a total of \$2.8 million. In FY 2007, an estimated \$3.375 million is available for this program.

Other Affordable Housing Programs. Beginning in FY 2006, the City set aside 1 percent of total real estate tax revenues for new affordable housing initiatives. This set aside is now equal to \$3.3 million in FY 2007. Other housing programs offer interest free second mortgages to serve as down payments for residents purchasing property and subsidize reduced interest rates for first time homebuyers. Through the Home Rehabilitation Loan Program, low and moderate income residents may also get aid for correcting code violations and structural problems in their primary residences.

One way to measure the relative local tax capacity and tax burden of a community is to measure the ratio of local personal income to local sources of revenue.

The FY 2007 approved budget is slightly below the long-term historical average of 5.17% of local income.

General Fund Revenue from Local Sources as a Percentage of Personal Income



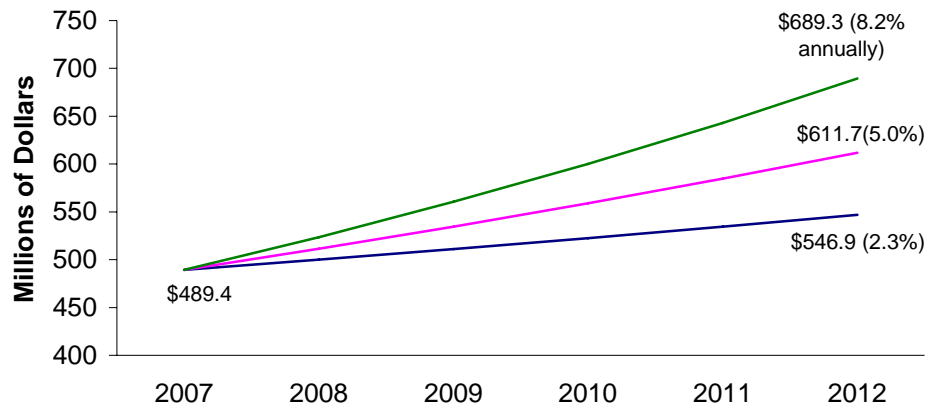
The chart above reflects the effect on taxes of the dip in the Alexandria real estate market in the 1990's and the subsequent recovery during the real estate boom of the last five years.



General Fund Revenue Outlook

The City of Alexandria forecasts future revenues based on low, mid-range, and high scenarios. This is a highly speculative exercise; few predicted the enormous increase in the value of real estate since 2000.

Projected Revenue Growth Under Low, Medium, and High Forecasts



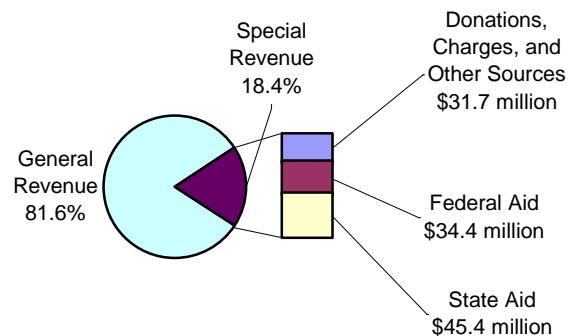
Due to Virginia laws, which limit the City's ability to expand its revenue base, for the foreseeable future the City will need to continue to rely on real property tax revenues to make up the majority of General Fund revenue. Without changes in tax rates, total revenue is projected to grow approximately between 2.25% to 8.2% per year, with 5.0% per year in the mid-range scenario.

Total Projected Revenues Fiscal Year 2007 \$605.2 million

Special Revenue Funds 5-47

General Revenues and Special Revenues together make up the total operating budget of the City of Alexandria.

Special Revenue Funds account for revenue derived from specific sources that are restricted by legal and regulatory provisions to finance specific activities.



Total Projected Fiscal Year 2007 Special Revenues \$111.6 million



Expenditures

Pages 5-7 to 5-20

General Fund expenditures are approved to increase by 4.9% over the FY 2006 approved budget as approved.

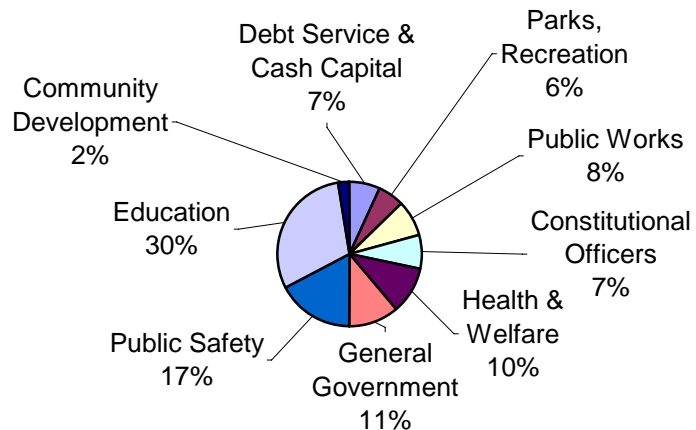
Spending on education and public safety (Police and Fire) makes up almost half the General Fund expenditures (48%). When the Office of Sheriff, also a public safety function, is included, the percentage is over 50%.

Millions of dollars	General Fund Budget			
	FY 2006 Approved	FY 2007 Proposed	FY 2007 Approved	% Change FY 06-07
Education	\$138.8	\$150.4	\$149.9	8.0%
Public Safety	80.1	79.2	84.9	6.0%
General Government	52.2	53.5	55.3	5.9%
Health & Welfare	46.2	48.3	51.4	11.1%
Public Works	35.9	38.6	39.7	10.5%
Constitutional Officers	33.4	34.2	36.5	9.2%
Cash Capital and Debt Service	45.6	41.8	34.3	-24.8%
Parks, Recreation & Culture	27.1	28.2	29.4	8.5%
Community Development	11.0	11.9	12.2	10.8%
Unallocated Distributions	-	17.4	-	-
Total	\$470.5	\$503.5	\$493.7	4.9%

Where The General Fund Money Goes

FY 2007

\$493.7 million





A brief guide to the departments and page references to detailed descriptions of the departments in the Proposed Operating Budget is included below:

Page 10-3 and the School Board's Approved Operating Budget

Page 9-3

Page 8-1

Page 9-155

Page 7-3

Page 9-115

Capital Improvement Projects (CIP) Budget Document

Page 9-35

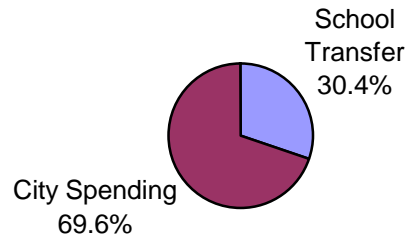
Page 9-85

- **Education** includes the Alexandria City Public Schools.
- **Public Safety** includes the Fire and Police Departments.
- **General Government** includes, among other departments, General Services, Finance, Personnel Services, and Real Estate Assessments.
- **Public Works** includes the Department of Transportation and Environmental Services, which maintains City streets and the City sanitary and sewer system. Transit subsidies to DASH, the City's bus system, and Virginia Rail Express (VRE) are also included in "Public Works."
- **Constitutional Officers/Courts** includes departments with elected officials such as the Office of Sheriff, which manages the Alexandria Detention Center, the Commonwealth's Attorney, and the Registrar of Voters.
- **Parks & Recreation** include the Office of Historic Alexandria, the Alexandria Library system, and The Department of Recreation, Parks, and Cultural Activities, which manages the City's parks and manages youth programs.
- **Debt Service & Cash Capital.** Debt Service is the amount the City repays in principal and interest on outstanding bonds issued for infrastructure improvements. Cash Capital is funds in the current operating budget designated for capital improvements.
- **Health & Welfare** includes the Health Department, the Department of Human Services, and the Department of Mental Health, Mental Retardation, and Substances Abuse.
- **Community Development** includes the Departments of Housing, Economic Development, and Planning and Zoning.



**General fund expenditures
by type of expense**

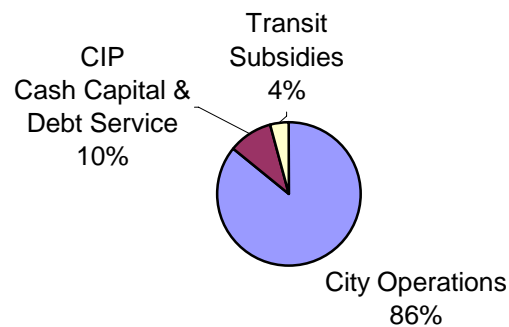
**General Fund Expenditures
\$493.7 Million**



Under the proposed budget for FY 2007, the City would transfer approximately \$149.9 million of its General Fund revenue to the Alexandria School System, including funds for a 3.0% COLA, not including spending on capital improvement projects, or for school-related debt service.

After transfers to the Alexandria School System, the remaining General Fund expenditures of \$343.8 million are divided among City operations, funding for the Capital Improvement Program, and funding for transit programs such as DASH and Metro buses and rails.

**Where the Money Goes
General Fund Expenditures Excluding School Transfers
\$343.8 Million**



Cash Capital and Debt Service account for \$34.3 million.

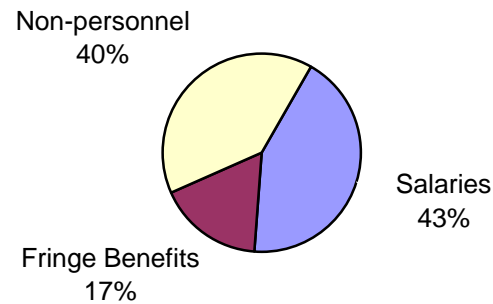
Transit expenditures (\$14.2 million) includes funding for DASH (Alexandria's bus service) and for contributions to the Washington Metropolitan Area Transit Authority (WMATA) that runs the Metrobus and Metrorail system.



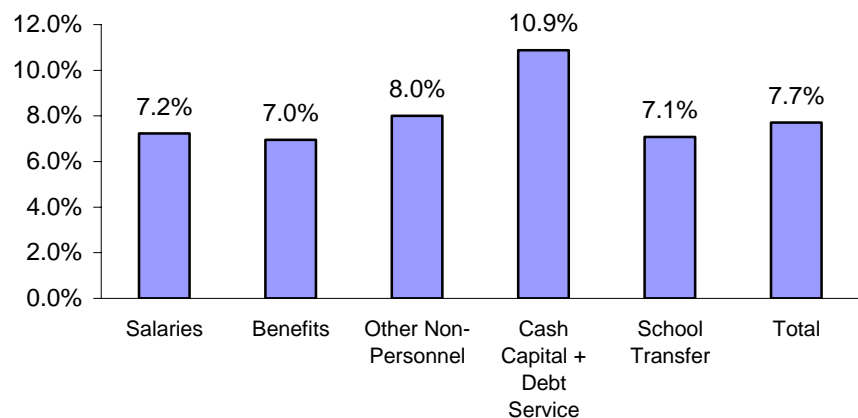
Once transit subsidies and cash capital & debt service are removed, approximately 60% of the remaining budget is devoted toward salaries and fringe benefits.

Many of the increases in the City's expenditures are a response to external regional, state, and national trends and mandates.

City Operations Expenditures \$295.3 million



Average Annual Percentage Growth FY 2000 to FY 2005

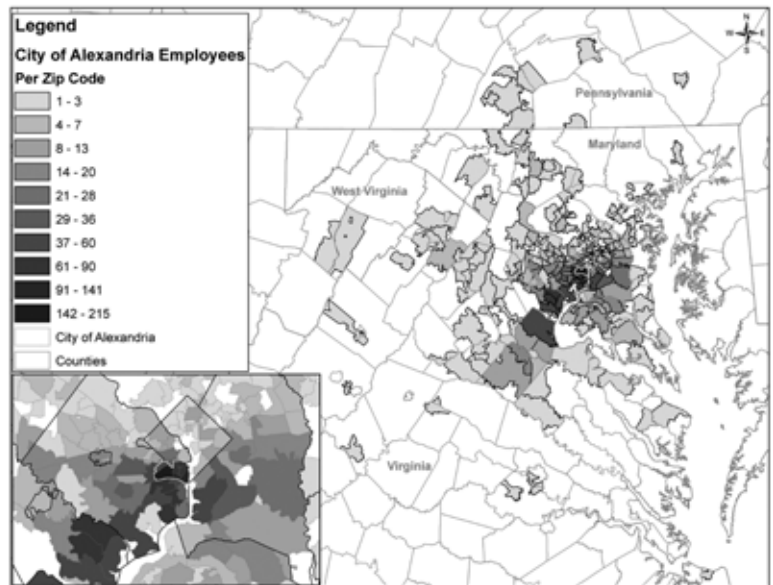


- Benefits include items such as employer contributions toward medical insurance, the cost of which has increased much more rapidly than the overall rate of inflation. Also, the City of Alexandria's contributions to the Virginia Retirement System (VRS), the pension fund for most City employees, is prescribed by the Commonwealth of Virginia and has increased substantially to reflect changing assumptions about investment returns and future costs of benefits.

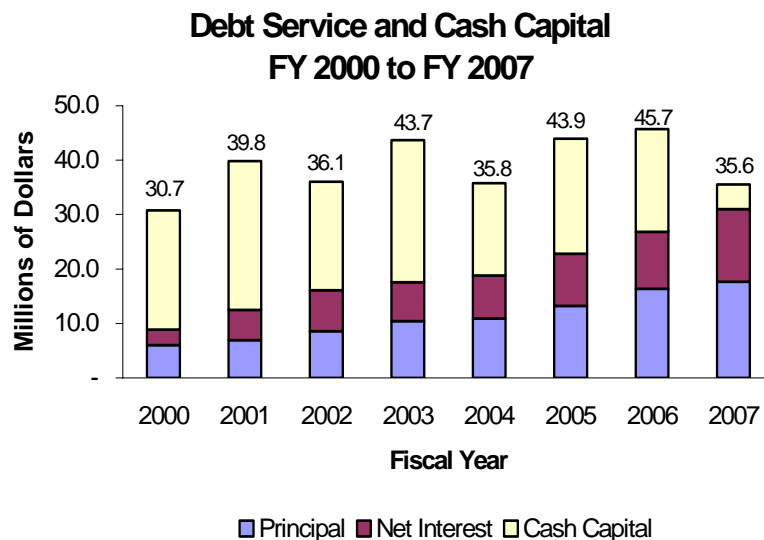


To the right is a map showing the distribution of Alexandria employee residences. In part because of the high cost of housing, only about 12% of Alexandria's employees live within the City itself.

- The City must pay salaries and benefits that are competitive with neighboring jurisdictions and the generally tight job market in the Washington, DC area, or risk losing good employees.



In recent years, the City has increased the number of necessary Capital Improvement Projects, deferred during the tight budgets of the 1990's. This has led to increased debt service costs.

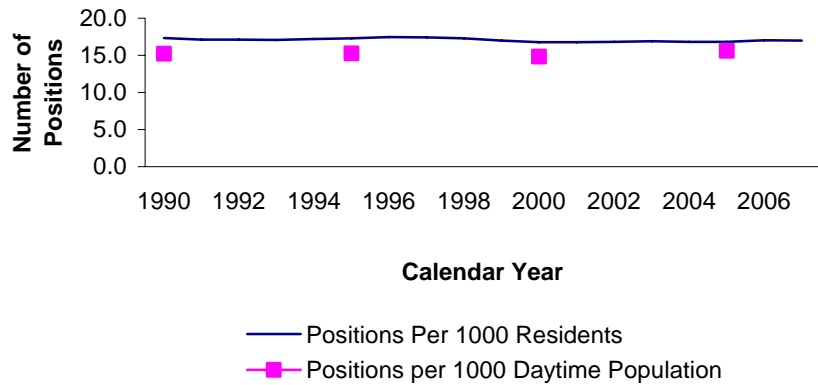


- Cash capital payments are made to the Capital Improvement Program fund out of the General Fund on a pay-as-you-go basis.
- Debt service payments are composed of principal and interest payments on past bonds issued to finance capital projects.



The size of the City's workforce and therefore the rate of growth in salaries and benefits also reflects the growth of the City's population.

**Full-time City Positions
per Alexandria population**



In 2006, there were 17.0 City employees per every 1,000 residents of Alexandria, not including School system employees. Since 1990, the size of the City government relative to the City's resident and daytime population has remained relatively constant.



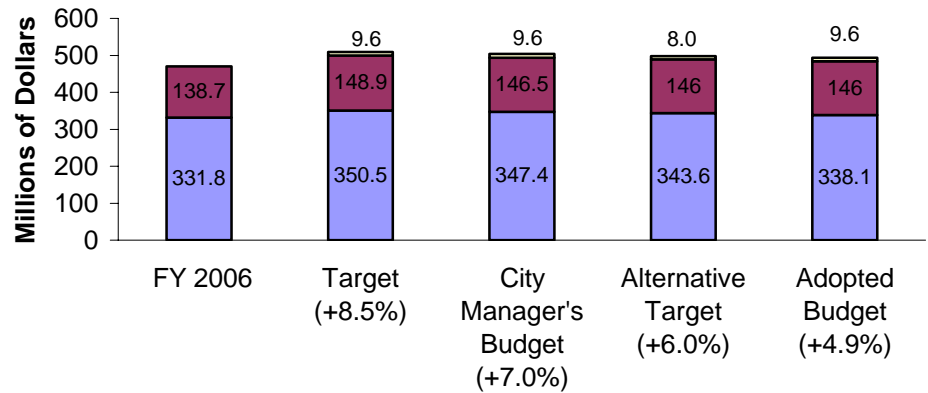
Budget Targets for FY 2007

The budget target was based on growth of 8.5% above fiscal year 2006 expenditures. The alternative budget target was based on a growth rate of 6.0%. The Council approved adopted budget increased expenditures by approximately 4.9%.

The approved budget enables a 10 cent tax rate reduction to 81.5 cents per hundred dollars of appraised value.

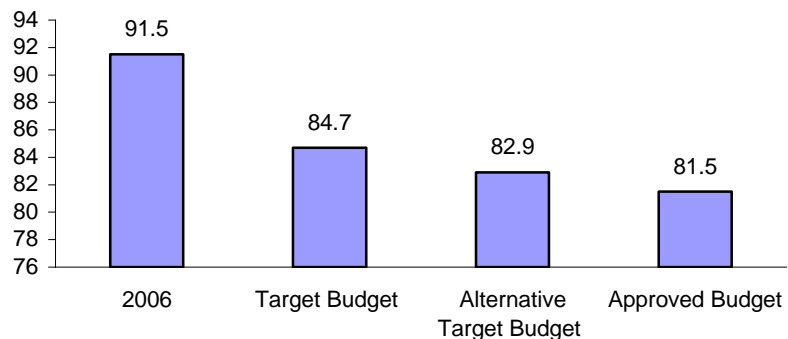
On November 12, 2005, the City Council passed a resolution establishing a budget target and an alternative budget target for the City Manager to meet when he submitted his proposed budget to Council in February. The budget targets were expressed as the amounts expenditures may increase over FY 2006 levels.

Alternative FY 2007 Budget Scenarios



■ City Operating Budget ■ Transfer to Schools ■ Cost of Living Adjustment

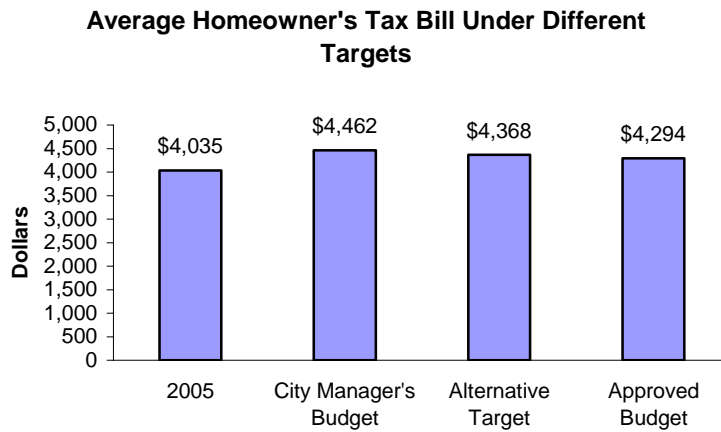
Real Estate Tax Rate Under Alternative FY 2007 Budget Scenarios



The difference between the City Manager's original proposed budget and the final Council approved budget is approximately \$9.8 million. It is estimated that in Fiscal Year 2007, each cent of real estate tax will generate \$3.3 million in General Fund revenues. 1 percent of the City's real estate tax (\$2.7 million) is dedicated to open space and 1 penny (\$3.3 million) to affordable housing in Alexandria.



Due to increases in real property assessments, the average homeowner's bill would have increased by 10.6% under the City Manager's proposed budget or 8.2% under the alternative proposed target budget. Under the Council approved budget, the actual rate of increase is 6.4% for the average homeowner.





Getting to the Approved Budget

Both the City Manager's proposed budget and the approved budget maintain the current level of almost all City services.

City Expenditure increases to maintain the Current Service and Policy Level (\$ in millions)

Cost	Increase
Cost of Living Adjustment (COLA) of 3%	\$ 5.7
Virginia Retirement System (VRS) payment	\$ 5.3
Merit Pay	\$ 2.8
Health Insurance Premiums	\$ 3.0
Transit Subsidies	\$ 2.5
Debt Service	\$ 1.7
Rent & Facility Maintenance	\$ 1.3
Grant Match Increase	\$ 1.1
Other Cost Increases	\$ 4.7
Capital Project Pay-As-You-Go Funds	\$ (6.7)
Total	\$ 21.4

Since these costs maintain the FY 2006 levels of service, they are the same for the target budget and the alternative target budget.

Cost of Living Adjustments (COLAs) are necessary to adjust salary schedules to general inflation, currently running about 4.0% in the area, and to remain competitive with across the board pay adjustments made by neighboring jurisdictions.

Most full-time City employees except Police and Fire employees are members of the **Virginia Retirement System (VRS)**. The City must pay into the VRS at prescribed rates.

Merit Pay adjustments allow the City to reward individual employees who perform at a satisfactory level by progressing through the salary schedule for their assigned grade. This helps the City keep good employees.

Health insurance premium costs for the City are expected to go up by \$1.1 million or 8.4% in FY 2007. This increase reflects changes in actuarial assessments made by the health insurance carriers of the cost of coverage. Council reduced the rate of growth by having all City employees pay a percentage of health insurance premiums and increasing co-pays.

Transit subsidies for METRO are increasing to reflect regional agreements on sharing METRO costs, the higher costs of existing DASH service levels, and ADA requirements to provide paratransit services to the disabled.



Debt Service payments are composed of principal and interest payments on past bonds issued to finance capital projects.

Rent & Facility Maintenance. The City must pay increasing costs for its rental space. The cost of facility maintenance is also increasing.

When receiving funding from the State or Federal governments, the City must often pay an increasing portion of the costs for the program being funded in the form of a **Grant Match**, especially if grant revenues do not increase as quickly as costs.

Other includes the adjustment for fuel costs (\$200,000), insurance costs (\$700,000), and Mirant legal fees (\$600,000), and affordable housing dedicated funds (\$500,000), vehicle and equipment costs (\$500,000), and adjustments for existing contract costs. (\$600,000).

Increases to service levels

For detailed information regarding the discretionary expenditure increases to service levels, consult the main budget document. The pertinent page numbers are listed adjacent to the department name. Not all departments proposed or received approved discretionary increases to service levels.

Summary of Discretionary Increases to Service Levels

Area	Proposed	Approved
General Government	\$ 353,011	\$ 711,598
Constitutional Offices & Courts	\$ 396,376	\$ 352,199
Public Safety	\$ 369,484	\$ 369,484
Public Works	\$ 125,000	\$ 165,000
Health & Welfare	\$ 501,319	\$ 416,528
Parks, Recreation, & Cultural Activities	\$ 418,904	\$ 162,602
Total	\$ 2,164,094	\$ 2,177,411

General Government (includes Legislative & Executive)

Department	Proposed	Approved
Office On Women (8-55)	\$ 18,000	\$ 18,000
Human Rights (8-25)	\$ 30,000	\$ 30,000
Information Technology (8-29)	\$ 63,170	-
Real Estate Assessments (6-69)	\$ 91,841	\$ 79,841
Other Non-Departmental (excluding Debt Service & Cash Capital) (8-41)	\$ 150,000	\$ 578,757
City Clerk & Clerk of Council (6-17)	-	\$ 5,000
Total	\$ 353,011	\$ 711,598



Constitutional Offices and Courts

Department	Proposed	Approved
Sheriff (7-51)	\$ 303,850	\$ 303,850
Clerk of Courts (7-9)	\$ 40,907	\$ 40,907
Court Service Unit (7-25)	\$ 44,177	-
Registrar (7-45)	\$ 7,442	\$ 7,442
Total	\$ 396,376	\$ 352,199

Public Safety

Department	Proposed	Approved
Fire (9-3)	\$ 369,484	\$ 369,484
Total	\$ 369,484	\$ 369,484

Public Works

Department	Proposed	Approved
Transportation and Environmental Services (9-155)	\$ 125,000	\$ 165,000
Total	\$ 125,000	\$ 165,000

Health & Welfare

Department	Proposed	Approved
Other Health Activities (9-81)	\$ 10,000	\$ 10,000
Mental Health, Mental Retardation, & Substance Abuse (9-51)	\$ 63,000	\$ 63,000
Health Department (9-61)	\$ 139,091	\$ 139,091
Human Services (9-35)	\$ 164,437	\$ 204,437
Human Service Contribution	\$ 124,791	-
Total	\$ 501,319	\$ 416,528

Parks, Recreation, and Cultural Activities

Department	Proposed	Approved
Recreation, Parks, and Cultural Activities (9-135)	\$ 398,904	\$ 162,602
Library (9-127)	\$ 20,000	-
Total	\$ 418,904	\$ 162,602



Expenditure reductions

For detailed information regarding the proposed expenditure reductions, consult the main budget document. The pertinent page numbers are listed adjacent to the department name. Not all departments proposed or received approved expenditure reductions.

City FY 2007 Council Approved Expenditure Decreases

Area	Proposed	Approved
General Government	\$ (494,148)	\$ (494,148)
Constitutional Offices & Courts	\$ (215,040)	\$ (215,040)
Public Safety	\$ (324,848)	\$ (324,848)
Public Works	\$ (798,980)	\$ (798,980)
Health & Welfare	\$ (133,251)	\$ (133,251)
Parks, Recreation, & Cultural Activities	\$ (128,401)	\$ (128,401)
Total	\$(2,094,668)	\$(2,094,668)

General Government

Department	Proposed	Approved
Citizens Assistance (8-3)	\$ (3,600)	\$ (3,600)
Finance (8-9)	\$ (49,642)	\$ (49,642)
General Services (8-17)	\$ (276,206)	\$ (276,206)
Information Technology (8-29)	\$ (19,600)	\$ (19,600)
Internal Audit (8-37)	\$ (200)	\$ (200)
Non-Departmental (8-45)	\$ (122,900)	\$ (122,900)
Personnel (8-61)	\$ (22,000)	\$ (22,000)
Total	\$ (494,148)	\$ (494,148)

Constitutional Offices and Courts

Department	Proposed	Approved
Sheriff (7-51)	\$ (215,040)	\$ (215,040)
Total	\$ (215,040)	\$ (215,040)

Public Safety

Department	Proposed	Approved
Fire (9-3)	\$ (139,350)	\$ (139,850)
Police (9-23)	\$ (185,498)	\$ (185,498)
Total	\$ (324,848)	\$ (324,848)

Public Works

Department	Proposed	Approved
Transportation & Environmental Services (9-155)	\$ (11,000)	\$ (11,000)
Transit (9-171)	\$ (787,980)	\$ (787,980)
Total	\$ (798,980)	\$ (798,980)

**Health & Welfare**

Department	Proposed	Approved
Health Department (9-61)	\$ (50,251)	\$ (50,251)
Human Services (9-35)	\$ (83,000)	\$ (83,000)
Total	\$ (133,251)	\$ (133,251)

Parks, Recreation, & Cultural Activities

Department	Proposed	Approved
Recreation, Parks, and Cultural Activities (9-135)	\$ (128,401)	\$ (128,401)
Total	\$ (128,401)	\$ (128,401)



The City Manager's Proposed budget would increase expenditures by 7.0% but reduced the real estate tax rate to 84.7 cents.

An alternative budget was presented increasing expenditures by 5.75%, allowing the real estate tax to be reduced to 82.9 cents.

The Council approved budget reduced expenditure growth to 4.9%, allowing the City to reduce the tax rate further to 81.5 cents.

Under the City Manager's Alternative Budget, discretionary increases to service levels were reduced by \$449,166. Under the Approved budget, discretionary increases to service levels are reduced by \$408,166.

City Expenditure Decreases to Meet Approved Budget Target Level

Change	Proposed	Approved
Reduce Cost of Living Adjustment from 3.0% to 2.5%	\$ (965,733)	-
Reduce Discretionary Increases to Service Levels	\$ (449,166)	\$ (408,166)
Additional Expenditure Reductions	\$ (681,500)	\$ (1,536,500)
Eliminate or Postpone CIP Projects	\$ (3,810,000)	\$ (7,540,000)
Technical adjustments during add/delete process	-	\$ (71,787)
Use Remaining FY 2006 Surplus	\$ 1,056,399	\$ 312,711
Total Reduction	\$ (4,850,000)	\$ (9,243,742)

Discretionary Increases to Service Levels Not Funded Under Alternative and Approved Budget Target

Area	Proposed	Approved
General Government	\$ (143,170)	\$ (165,170)
Constitutional Offices & Courts	\$ (44,177)	\$ (44,177)
Public Safety	-	-
Public Works	-	-
Health & Welfare	\$ (154,190)	\$ (91,190)
Parks, Recreation, & Cultural Activities	\$ (107,629)	\$ (107,629)
Total	\$ (449,166)	\$ (408,166)

General Government

Department	Does Not Include	Proposed	Approved
Office on Women (8-55)	VDH Grant Replacement	\$ (18,000)	-
Information Tech. Services (8-29)	Telecomm Specialist	\$ (63,170)	\$ (63,170)
Real Estate (8-69)	BOE pay increase	\$ (12,000)	\$ (12,000)
Non-Departmental (8-41)	Sister Cities Youth Conference	\$ (50,000)	\$ (50,000)
Non-Departmental	Strategic Plan Consultant	-	\$ (40,000)
Total		\$(143,170)	\$ (165,170)

**Constitutional Offices and Courts**

Department	Does Not Include	Proposed	Approved
Court Service Unit (7-25)	Fiscal Analyst	\$ (44,177)	\$ (44,177)
Total		\$ (44,177)	\$ (44,177)

Health and Welfare

Department	Does Not Include	Proposed	Approved
Mental Health, Mental Retardation, and Substance Abuse (9-51)	Group Home Nurse	\$ (63,000)	-
Human Service Contribution	Human Services Contributions Increase	\$ (91,190)	\$ (91,190)
Total		\$(154,190)	\$ (91,190)

Parks, Recreation, & Cultural Activities

Department	Does Not Include	Proposed	Approved
Recreation, Parks, and Cultural Activities (9-135)	Recreation Center Public Computer Labs	\$ (79,579)	\$ (79,579)
Recreation, Parks, and Cultural Activities (9-135)	Buddy Ford Nature Center Staffing	\$ (8,050)	\$ (8,050)
Library (9-127)	Computer Equipment	\$ (20,000)	\$ (20,000)
Total		\$(107,629)	\$ (107,629)



Additional Expenditure Reductions Under Alternative Budget Target

Since these additional reductions are not included in the budget document elsewhere, detailed information has been included in the table to the right.

Alternative Budget Target Additional Expenditure Reductions

Department	Additional Expenditure Reduction	Proposed	Approved
Finance	Saturday hours would be reduced from every Saturday to the second Saturday of each month. Finance would continue to stay open on the weekends prior to key tax due dates.	\$ (40,000)	\$ (40,000)
Finance	Eliminate one senior contract administrator position and reassign its duties within Purchasing.	\$ (83,500)	\$ (83,500)
Human Services	The funding provided to the Campagna Center in Fiscal Year 2006 to allow for increases in salaries beyond what federal funds allow would not be continued in Fiscal Year 2007.	\$ (150,000)	-
Information Technology	Funding for contracted web programming and support would be eliminated in favor of reliance on internal resources.	\$ (56,000)	\$ (56,000)
Information Technology	ITS would eliminate a current vacancy for a Lotus Notes computer programmer for the entire fiscal year and instead rely on contract support when necessary.	\$ (72,000)	\$ (72,000)
Information Technology	Reduce the budget for personal computer equipment replacement by reducing the number of units to be replaced from 500 to 400.	\$ (150,000)	\$ (150,000)



Non-Departmental	The consulting services budget for planning studies would be reduced.	\$ (100,000)	-
Recreation, Parks, and Cultural Activities	The Seasons of Color Program, which provides season plantings at a wide variety of City facilities would be reduced from four plantings to two plantings per year.	\$ (30,000)	-
General Government	Increase in City Health Insurance Employee Co-Pay	-	(\$635,000)
General Government	Increase in City Health Insurance Premiums. All City employees now to pay a percentage of health insurance premiums.	-	(\$500,000)
Total Additional Expenditure Reductions		\$ (681,500)	\$(1,536,500)



Under the Council Approved Budget, Capital Improvement Program projects are postponed or eliminated, saving \$7,500,000 in FY 2007.

Projects Proposed to Be Eliminated or Postponed Under the Approved Budget

Project	Proposed	Approved
Chinquapin Recreation Center. Postpone to FY 2008 the planning and design of activities associated with the proposed major renovation of the Chinquapin Recreation Center.	\$ (500,000)	\$(500,000)
Space Management Program. Postpone to FY 2008 \$300,000 of the \$500,000 requested for the planning for the optimal utilization of City office space through reconfiguration of modular and fixed office equipment, renovation of existing structures, and relocation of City staff.	\$(300,000)	\$(300,000)
Capital Facilities Maintenance Program (CFMP). Postpone to FY 2008 \$100,000 of the \$600,000 requested for CFMP projects, including the replacement and maintenance of mechanical, electrical, plumbing, and other systems in City facilities.	\$(100,000)	\$(100,000)
Sheriff Capital Facilities Maintenance Program (CFMP). Postpone to FY 2008 \$100,000 of the \$200,000 requested for CFMP projects primarily at the Detention Center, including the replacement and maintenance of mechanical equipment, a lighting study, and upgrades for the prisoner-attorney conference area, expansion of the uninterrupted power supply system, and repair, caulking, and repainting of the exterior windows.	\$(100,000)	-
Emergency Operations Center. Postpone to FY 2008 funding for interim modifications to the existing EOC facility located at Lee Center.	\$ (75,000)	\$ (75,000)


**Capital Project Reductions,
continued**

Project	Proposed	Approved
Ball Court Renovations. Postpone to FY 2008 funding for ball court renovations at William Ramsey. As necessary these renovations would include patching or replacing surfaces, drainage work, fencing, gates, grading, electrical work and color coating.	\$ (125,000)	\$(125,000)
Park/Playground Renovations. Postpone to FY 2008 \$66,000 of the \$210,000 requested for the repair or replacement of deteriorating play equipment, play area surfaces, and enhancements such as benches, tables and trash cans.	\$ (66,000)	-
Alley Rehabilitation. Postpone to FY 2008 \$200,000 of \$300,000 requested for alley rehabilitation, due to drainage problems and deteriorating pavement conditions.	\$(200,000)	\$(100,000)
West End Streets. Postpone to FY 2008 funding for addressing needed repairs and renovations for streets west of Quaker Lane.	\$ (100,000)	-
Miscellaneous Undergrounding. Eliminate funding for miscellaneous undergrounding at new development sites throughout the year and rely on unallocated balances to meet new needs.	\$ (75,000)	\$ (75,000)
Emergency Generators. Postpone to FY 2008 funding for the planned, systematic replacement of emergency generators at various City buildings.	\$ (262,500)	\$(262,500)
Space Management Program. Postpone to FY 2008 \$200,000 of the \$500,000 requested for the planning for the optimal utilization of City office space through reconfiguration of modular and fixed office equipment, renovation of existing structures, and relocation of City staff.	\$ (200,000)	\$(200,000)



Project	Proposed	Approved
MH/MR/SA Group Homes. Postpone to FY 2008 half the funding requested for planning repairs to City-owned and operated group homes, including remediation of water leaks, correction of code compliance issues, minor structural repairs, replacement of normal wear elements, and mechanical, electrical, and plumbing replacement and upgrades.	\$ (77,500)	\$ (77,500)
Energy Conservation. Eliminated \$75,000 of \$175,000 requested for energy conservation projects in City facilities, including such things as alternate electrical and lighting methods, more efficient mechanical systems, and alternative energy sources.	\$ (75,000)	-
Fire Station Renovations. Postpone to FY 2008 \$80,000 of \$225,000 requested for building repairs and renovations at the City's eight fire stations.	\$ (80,000)	-
Fire Truck Lift. Postpone to FY 2008 the replacement of the current heavy vehicle lift with one that has a greater weight capacity.	\$ (120,000)	\$ (120,000)
Park Drainage Improvements. Postpone to FY 2008 requested funding to address drainage and grading issues at George Mason Park.	\$ (250,000)	\$ (250,000)
Timberbranch Bridge. Postpone to FY 2008 funding for replacing the existing bridge that extends across Timberbranch, connecting E. Timberbranch Parkway with W. Timberbranch Parkway. The existing bridge is at the beginning stages of deterioration due to the erosion of the stream around the structure.	\$ (75,000)	\$ (75,000)



Project	Proposed	Approved
Public Pools/Marina. Eliminate funding \$45,000 of \$90,000 requested for renovation and maintenance of public pools and the City Marina.	\$ (45,000)	-
Park/Playground Renovations. Postpone to FY 2008 an additional \$16,000 of \$210,000 requested for the repair of replacement of deteriorating play equipment, play area surfaces, and to provide small-scale enhancements, such as benches, table, and trash cans.	\$ (16,000)	-
Recreational Facility Needs Assessment. Postpone to FY 2008 the funding requested for conducting a Recreation and Parks facility needs assessment. This assessment would examine the need for funding for such things as additional skate park facilities, waterfront plans, marina piers, facilities and utilities, Chinquapin Park, and Teen Center.	\$ (300,000)	\$ (300,000)
Sidewalk, Curb, and Gutter Repairs/Renovations. Eliminate the FY 2007 annual funding for sidewalk, curb and gutter repairs and renovations throughout the City.	\$ (100,000)	\$ (100,000)
Street Cans. Postpone to FY 2008 \$118,000 of \$168,000 planned for replacement of old and damaged street cans with new ornamental street cans on Mt. Vernon Ave. and on Duke Street in Old Town.	\$ (118,000)	-
Bus Shelters. Postpone to FY 2008 the funding for bus shelter replacement.	\$ (100,000)	\$ (50,000)
Mt. Vernon Alley Repairs/Renovation. Postpone to FY 2008 the reconstruction of the alley behind the 300 block of Mt. Vernon Avenue to eliminate standing water problems and other deteriorating conditions.	\$ (350,000)	\$ (250,000)
Delayed Funding for New Police Headquarters. Postpone to FY 2008 to more accurately reflect the revised	-	\$(2,800,000)



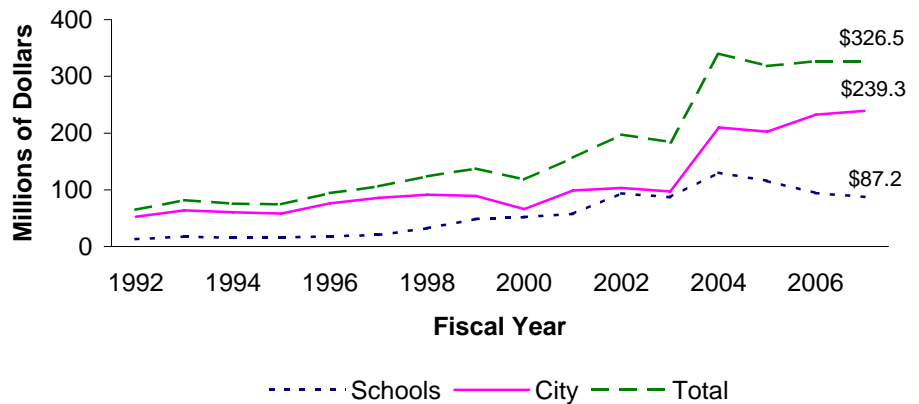
planning and design schedule.		
Undergrounding of Old Town Utilities Postponed. Postponement of funding will not delay this project but shift funding to where it's likely to be needed.		\$ (500,000)
Reduced Funding for New Fire Station. Eliminate 650,000 of the \$3,000,000 planned for the initial phase of design and land acquisition for the New Fire Station in a yet to be determined location.	-	\$ (650,000)
Use 1% of Property Tax for Open Space Instead of 1 cent. Amend the amount of revenue dedicated to the purchase of Open Space from 1 penny of the Real Estate Tax to 1% of real estate tax revenues.	-	\$ (630,000)
Total	\$(3,810,000)	\$(7,540,000)



Capital Improvement Program Overview

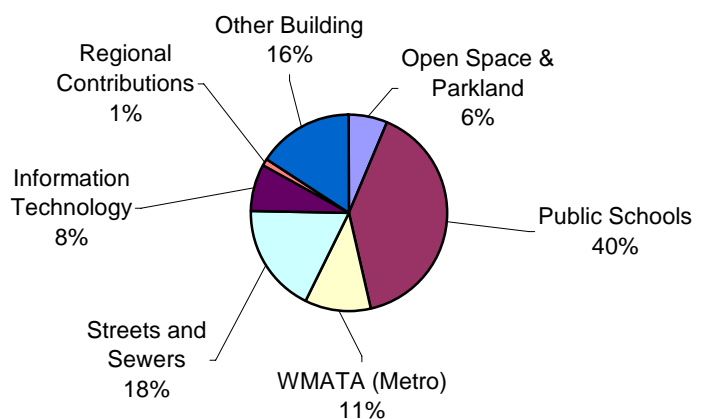
The Capital Improvement Program (CIP) is a six-year plan that allows the City to build infrastructure improvements lasting multiple years whose costs are too large to be funded in a single year out of the operating budget.

City and School Capital Improvement Project Funding



The City finances the Capital Improvement Program mostly through a combination of borrowing through General Obligation Bonds, General Fund Balance from prior years' fiscal surpluses, and "cash capital," direct payment to the CIP from the City's operating budget.

FY 2007 Capital Improvement Program by Share



Pages 11-1 to 11-32

Capital Improvement Program budget document

Information Technology Plan budget document



Listed to the right are a few highlights of the approved Capital Improvement Program for FY 2007.

Education

- \$24.1 million for the Alexandria City Public Schools, including \$19.5 million to continue the multi-year funding of the construction of the new T.C. Williams High School.

Public Safety

- \$2.0 million for the design of a new Police Headquarters Facility on Wheeler Avenue
- \$2.35 million on a placeholder for the design and land acquisition for a new fire station

Transportation and Transit

- \$11.0 million for undergrounding, streets, bridges, traffic calming measures and transit including \$6.4 million for Metrorail and Metrobus capital projects.

Recreation, Parks, and Open Space

- \$5.5 million for parks and recreation facilities including \$1.8 million for land acquisition, and \$2.2 million for the next phase of funding for a new Charles Houston Recreation Center

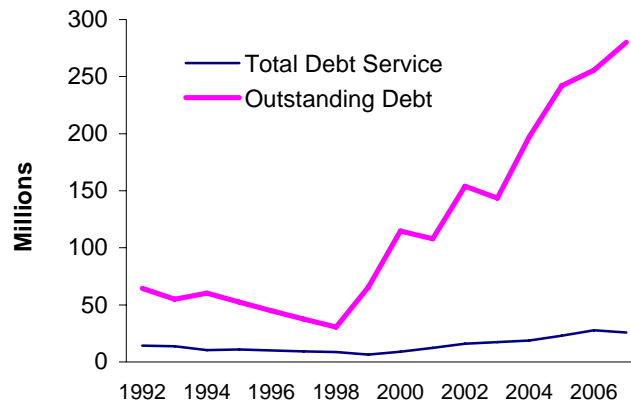
Environment

- \$3.0 million for Holmes Run Trunk Sewer capacity expansion.
- \$1.4 million for sanitary and storm sewer work City-wide
- \$1.4 million for other sewer work, replacement of street cans, and tree planting and renovation of the City's horticultural sites.



The issuance of bonds is one key source of funding for the Capital Improvement Program.

Debt Service Indicators



The above chart reflects the increased emphasis by the City and the Schools on capital investment as well as facility and infrastructure renewal since 1998. As an older urban city, it is vital for the public buildings and infrastructure in the City to be kept in good condition.

The Capital Improvement Program and the City's operating budget are closely intertwined. The City must pay debt service out of General Fund revenues. Debt service consists of repayment of interest and principal on issued bonds. Debt service in FY 2007 is estimated to be 4.8% of general expenditures, well below the City's guideline.

In addition to being necessary to finance long-term infrastructure improvements, tax-exempt bond debt with its very favorable interest rates makes good fiscal sense. Debt service distributes the cost of infrastructure over the life of the improvements, ie, "pay-as-you-use" and pushes part of cost of the improvements into the future when the City and its future residents and business will use them, ie, "intergenerational equity sharing."

The six-year Capital Improvement Program is not fixed beyond the current fiscal year. It is a guideline that is updated annually to account for changing conditions in Alexandria.

As a matter of fiscal prudence and to maintain its top bond ratings, Alexandria has adopted careful policies regarding the maximum allowable amount of bond debt. These policies are considered as "best practices" nationally. The City's high bond rating reduces interest rates on issued debt.

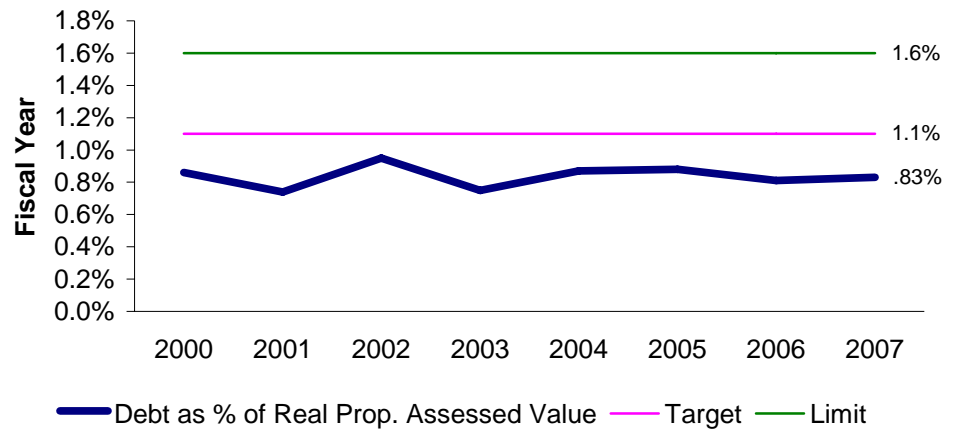
Alexandria is one of only a limited number of jurisdictions in the United States with top AAA/Aaa bond ratings.

City Debt Guidelines 11-28



Alexandria has issued debt totaling less than 1.0% of the total assessed value of real estate in the City. This is less than neighboring AAA/Aaa rated jurisdictions.

Outstanding Debt as a Percentage of Assessed Value of Real Property

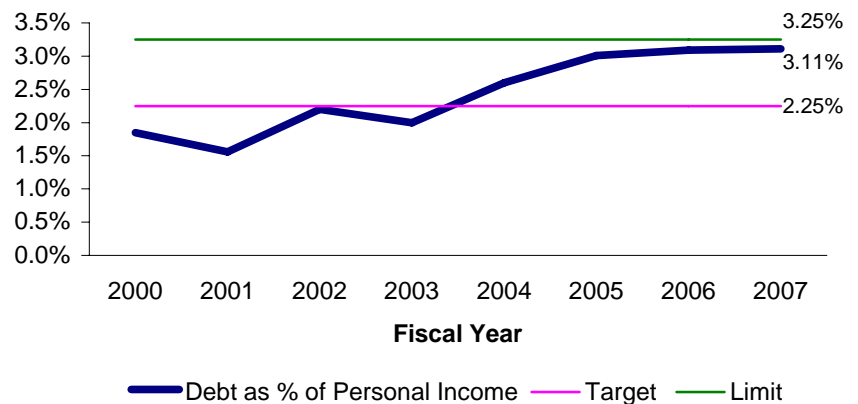


There are several measures the City uses under its self-imposed debt policy guidelines to ensure that the amount of its borrowing remains fiscally responsible.

This measure is an important one to bond rating agencies. Rapid increases in real estate property assessments have allowed the City to catch up on infrastructure needs delayed during the 1990's without approaching its debt limit as measured against this guideline.

Alexandria has maintained a per capita ratio of debt to income of less than 3.25%.

Per Capita Debt as a Percentage of Per Capita Income



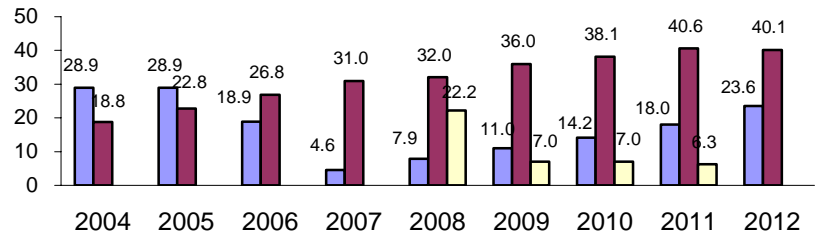
Income increases have fallen short of real estate assessment increases, and the City is now approaching its self-established borrowing limits in terms of per capita income. It is expected that the ratio of debt to income will peak in FY 2008 and drop in future years.



The funding plan for the Capital Improvement Program contains \$7 million in unidentified funding sources to pay for a planned \$62.1 million CIP program in FY 2008.

CIP Financing From General Fund Revenues

■ Cash Capital From Current Revenues ■ Total Debt Service* ■ City CIP Funding Sources TBD



*Includes debt service on debt for affordable housing and open space purposes.

We will have to examine closely whether we can afford \$62.1million in CIP expenditures in FY 2008, or whether we can use pay-as-you go financing or additional borrowing to provide the additional financing needed to balance next year's CIP budget.



The Strategic Plan Overview

The City budgets to achieve the eight goals of the Strategic Plan.

In 2004, the City Council developed a Strategic Plan for 2004-2015 as a road map for fulfilling its vision of Alexandria.

The City's Council's vision of Alexandria is as follows:

Alexandria 2015 is a vibrant, diverse, historic and beautiful City with unique neighborhoods and multiple urban villages where we take pride in our great community.

The City Manager's proposals for the Capital Improvement Program (CIP) funding and for expansions in the budget are directly related to the City's strategic goals as outlined below:

Goal 1: Quality development and redevelopment that is well planned and consistent with Alexandria's vision.

The pace of growth and change to the physical landscape of the City has increased in recent years, presenting both challenges and opportunities for the City budget.

Goal 2: A City that respects, protects, preserves and enhances the natural environment and history resources.

Alexandria is a beautiful and historic city, and the City budget must ensure that the qualities that make Alexandria a special place remain intact.

Goal 3: An integrated multimodal transportation system that efficiently and effectively gets people from Point "A" to Point "B."

As increases in City and metro area population cause more traffic snarls, it is vital for the budget to maintain and improve the road system. The City's budget must also support public transportation, including buses and rails, and expand opportunities for walking and bicycling.

Goal 4: A Strong local economy that is growing in varied small business and job opportunities.

A strong local economy also will diversify the City's revenue sources and help to achieve a financially sustainable future.

Goal 5: A caring community that is diverse and affordable.

The budget should help enable families and individuals of all ages, incomes, and backgrounds to have access to excellent job and learning opportunities, affordable housing, and a healthy environment.



Goal 6: A city government that is financially sustainable, efficient, and community oriented.

An efficient and City budget will continue to expand and diversify its revenue base, deliver services in a cost effective manner, and be responsive to the changing needs of the community.

Goal 7: A city that ensures the safety, security, emergency preparedness and well being of the community.

Providing for public safety, including police and fire protection, emergency medical services, and maintenance of the jail and operation of the courts is an essential function of our budget.

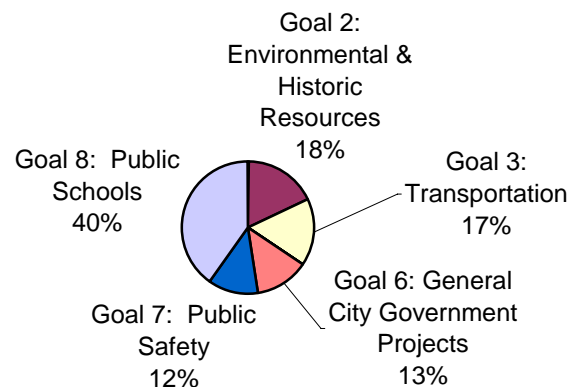
Goal 8: Public schools that are among the best in Northern Virginia (in partnership with Alexandria Schools).

The budget should provide Alexandria's young people with a high quality public education system.

When measured by the goals of the Strategic Plan, the largest share of the proposed Capital Improvement Program is dedicated to Alexandria's educational facilities.

See Capital Improvement Program budget document for additional information.

The FY 2007 Capital Improvement Program and the Strategic Plan



**Total Approved FY 2007 Capital Improvement Program
\$60.0 million**

This chart attempts to allocate the Capital Improvement Program projects by the City Council's strategic goals. There is overlap in how CIP proposals apply to the strategic goals. Also not every goal is included in the pie chart. (For example, road maintenance and construction included under goal 3 is also important to Goal 4, maintaining a strong local economy.) However, the chart shows generally the strategic purposes for which capital projects are intended.

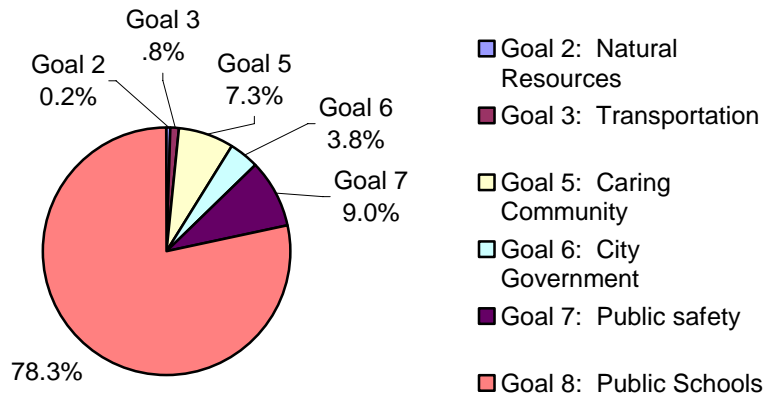


The City also uses the Strategic Plan to formulate its operating budget.

More information regarding the Strategic Plan and Alexandria's future can be found on the City's web site.

<http://alexandriava.gov/city/amacc/strategicplan/strategicplan.html>

Request for New or Expanded Services and the Strategic Plan FY 2007



Total Proposed FY 2007 expansions:

To City services \$2.1 million

To School services (Goal 8) \$8.2 million

Requests for new or expanded City services in the operating budget must be justified to meet the goals of the overall Strategic Plan.

More information regarding the City of Alexandria's proposed FY 2007 budget can be found in the main budget document, accessible at the City of Alexandria's web site: <http://alexandriava.gov>.

Members of the public were and are encouraged to participate in the budget process. There were budget hearings on Monday, March 13 at 4PM and a public hearing on the effective tax rate on Saturday, March 18 at 9:30AM. Both meetings took place at City Hall.

Also, City Council held work sessions at the following times:

Date/Time	Location
Wednesday, February 22 7PM	City Hall
Wednesday, March 1 7PM	City Hall
Monday, March 6 7PM	City Hall
Monday, March 20 7PM	Samuel Tucker Elementary School
Monday, April 3 7PM	City Hall
Wednesday, April 5 7PM	George Washington Middle School
Monday, April 17 7PM	City Hall
Monday, April 24 6PM	City Hall
Monday, April 24 (adoption) 7PM	City Hall





Analysis of General Fund Changes FY 2006 Approved/Adjusted to FY 2007 Approved Budget

	FY 2006 Approved /	FY 2007 Approved	FY 2006 - FY 2007 \$ Change	% Change
Legislative & Executive				
City Council	540,521	559,524	19,003	3.5%
City Manager	2,051,412	2,285,040	233,628	11.4%
City Attorney	2,338,305	2,553,609	215,304	9.2%
City Clerk & Clerk of Council	338,143	366,141	27,998	8.3%
Sub-Total	5,268,381	5,764,314	495,933	9.4%
Courts & Constitutional Officers				
18th Circuit Court	1,250,395	1,295,587	45,192	3.6%
18th General District Court	83,792	78,282	(5,510)	(6.6%)
Clerk of Court	1,540,725	1,605,838	65,113	4.2%
Commonwealth's Attorney	2,439,193	2,641,541	202,348	8.3%
Court Services Unit	1,225,647	1,271,280	45,633	3.7%
Juvenile & Domestic Relations Court	33,273	34,845	1,572	4.7%
Law Library	84,598	93,294	8,696	10.3%
Other Public Safety & Justice	4,158,231	4,573,968	415,737	10.0%
Registrar of Voters	1,004,622	1,070,781	66,159	6.6%
Sheriff	21,610,014	23,847,248	2,237,234	10.4%
Sub-Total	33,430,490	36,512,664	3,082,174	9.2%
General Government				
Citizen Assistance	655,702	716,655	60,953	9.3%
Finance	8,115,684	8,650,724	535,040	6.6%
General Services	11,152,745	12,470,596	1,317,851	11.8%
Human Rights	523,380	501,420	(21,960)	(4.2%)
ITS	7,326,123	7,886,468	560,345	7.6%
Internal Audit	200,520	221,842	21,322	10.6%
Management & Budget	1,015,329	1,118,851	103,522	10.2%
Non-Departmental*	61,181,302	46,284,664	(14,896,638)	(24.3%)
Office on Women	1,268,761	1,386,359	117,598	9.3%
Personnel Services	2,854,163	3,112,879	258,716	9.1%
Real Estate	1,268,167	1,482,679	214,512	16.9%
Sub-Total	95,561,876	83,833,137	(11,728,739)	(12.3%)
Operating Agencies				
Fire	32,004,431	35,479,083	3,474,652	10.9%
Police	45,136,508	49,451,928	4,315,420	9.6%
Health	6,350,693	6,763,841	413,148	6.5%
Other Health Activities	988,400	998,600	10,200	1.0%
Human Services	23,638,644	26,604,839	2,966,195	12.5%
Mntl. Hlth, Mntl. Retardation & Sub.	15,250,380	16,991,405	1,741,025	11.4%
Housing	4,433,235	5,172,340	739,105	16.7%
Economic Development Activities	2,694,336	2,798,072	103,736	3.9%
Planning & Zoning	3,920,003	4,270,847	350,844	9.0%
Historic Alexandria	2,456,643	2,672,371	215,728	8.8%
Library	6,438,429	6,941,531	503,102	7.8%
Recreation, Parks & Cultural	18,250,169	19,827,138	1,576,969	8.6%
Transit Subsidies	12,487,697	14,162,066	1,674,369	13.4%
Transportation & Environ. Services	23,459,508	25,545,419	2,085,911	8.9%
Sub-Total	197,509,076	217,679,480	20,170,404	10.2%
Education				
Schools	138,753,138	149,873,621	11,120,483	8.0%
Other Educational Activities	12,990	12,548	(442)	(3.4%)
Sub-Total	138,766,128	149,886,169	11,120,041	8.0%
Grand Total	470,535,951	493,675,764	23,139,813	4.9%

* Includes appropriations in FY 2006 of \$3,000K for a Public Safety salary supplement and \$1,027K to General Services for fuel and energy.

Source: FY 07 Approved Accumulator report. Filter = Fund 10. Field = Department.



Analysis of Personnel Changes FY 2006 Approved/Adjusted to FY 2007 Approved Budget

	FY 2006 Approved Total FTE	FY 2006 Amended Total FTE	FY 2007 Approved Positions				Amended FY 2006- Approved FY 2007	
			Full-Time Perm.	Part-Time (FTE)	Approved Overhire	Total (FTE)	# Change	% Change
Legislative & Executive								
City Council	14.00	14.00	-	14.00	-	14.00	-	-
City Manager	16.00	16.00	16	-	-	16.00	-	-
City Attorney	15.00	15.00	15	-	-	15.00	-	-
City Clerk & Clerk	4.00	4.00	4	-	-	4.00	-	-
<i>Sub-Total</i>	<i>49.00</i>	<i>49.00</i>	<i>35</i>	<i>14.00</i>	<i>-</i>	<i>49.00</i>	<i>-</i>	<i>-</i>
Courts & Const.								
18th Circuit Court	13.00	13.00	13	-	-	13.00	-	-
Clerk of Court	24.00	24.00	23	-	1	24.00	-	-
Commonwealth Atty	30.63	30.63	29	1.63	-	30.63	-	-
Court Services Unit	9.00	11.80	9	2.00	-	11.00	(0.80)	(6.8%)
Law Library	1.00	1.00	1	-	-	1.00	-	-
Registrar of Voters	6.60	6.60	6	0.60	-	6.60	-	-
Sheriff	212.00	212.00	215	-	-	215.00	3.00	1.4%
<i>Sub-Total</i>	<i>296.23</i>	<i>299.03</i>	<i>296</i>	<i>4.23</i>	<i>1</i>	<i>301.23</i>	<i>2.20</i>	<i>0.7%</i>
General Government								
Citizen Assistance	7.75	7.75	7	0.75	-	7.75	-	-
Finance	98.75	99.75	92	6.00	-	98.00	(1.75)	(1.8%)
General Services	81.50	81.50	75	0.50	4	79.50	(2.00)	(2.5%)
Human Rights	6.00	6.00	5	-	1	6.00	-	-
ITS	59.50	59.50	58	0.50	-	58.50	(1.00)	(1.7%)
Internal Audit	2.00	2.00	2	-	-	2.00	-	-
OMB	10.00	11.00	11	-	-	11.00	-	-
Office on Women	19.50	19.50	18	1.50	-	19.50	-	-
Personnel Services	24.58	24.58	23	0.58	1	24.58	-	-
Real Estate	14.00	14.00	15	-	-	15.00	1.00	7.1%
<i>Sub-Total</i>	<i>323.58</i>	<i>325.58</i>	<i>306</i>	<i>9.83</i>	<i>6</i>	<i>321.83</i>	<i>(3.75)</i>	<i>(1.2%)</i>
Operating Agencies								
Fire	310.50	323.50	298	-	27	325.00	1.50	0.5%
Police	466.62	466.62	455	2.12	8	465.12	(1.50)	(0.3%)
Health	17.84	18.59	10	9.59	-	19.59	1.00	5.4%
Human Services	243.80	235.80	221	6.80	8	235.80	-	-
MH / MR / SA	348.32	346.62	278	68.62	-	346.62	-	-
Housing	20.00	20.00	20	-	-	20.00	-	-
Planning & Zoning	41.50	47.50	37	0.50	10	47.50	-	-
Historic Alexandria	29.38	30.38	17	12.38	-	29.38	(1.00)	(3.3%)
Library	81.45	81.45	55	26.45	-	81.45	-	-
Rec, Parks & Cultural	188.48	193.36	137	53.86	3	193.86	0.50	0.3%
Transportation & Environ. Svcs.	199.00	205.00	192	-	14	206.00	1.00	0.5%
<i>Sub-Total</i>	<i>1,946.89</i>	<i>1,968.82</i>	<i>1,720</i>	<i>180.32</i>	<i>70</i>	<i>1,970.32</i>	<i>1.50</i>	<i>3.0%</i>
Grand Total	2,615.70	2,642.43	2,357	208.38	77	2,642.38	(0.05)	(0.0%)

